

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE EAST PENDLETON)	
COUNTY WATER DISTRICT FOR AN ORDER TO)	
OBTAIN FINANCING FROM THE KENTUCKY)	CASE NO.
INFRASTRUCTURE AUTHORITY FUND C)	97-349
PROGRAM FOR A RIVER CROSSING AND A)	
NEW WATER LINE UNDER KINCAID LAKE)	

O R D E R

On March 31, 1997 the Commission received a letter from East Pendleton County Water District ("East Pendleton") describing its plan to repair the river crossing in the South Fork of the Licking River and to install a new water main under Kincaid Lake near the Kincaid Lake Dam. East Pendleton explained the new water main and the river crossing repair were the result of damage suffered in the March 1997 flood. East Pendleton requested the Commission's opinion as to whether prior approval of the proposed construction and financing was required.

In his letter dated April 2, 1997, the Commission's Executive Director informed East Pendleton, pursuant to KRS 278.170(2), prior Commission approval would not be needed. However, East Pendleton was directed to notify the Commission within 5 days completion of the construction, or within 5 days of securing its financing, in order to allow the Commission the opportunity to review the information at that time.

On July 18, 1997, East Pendleton informed the Commission it had obtained a \$230,130 loan from the Kentucky Infrastructure Authority Fund C program ("KIA"). The proposed KIA loan will have an interest rate of 7 percent per annum for a 20-year term. After reviewing the information filed by East Pendleton, the Commission upon its own motion initiated this proceeding regarding the East Pendleton's construction and KIA loan.

According to 807 KAR 5:001, Section 9(2), a utility must obtain a Certificate of Public Convenience and Necessity ("Certificate") prior to constructing a new facility. East Pendleton obtained a written opinion from the Commission's Executive Director that because the proposed construction was the result of flood damage, prior approval was not required. For this reason the Commission finds that East Pendleton is not in violation of KRS 278.020(1) and 807 KAR 5:001, Section 9(2). However the Commission does not retroactively grant a Certificate for construction that has already been completed, therefore approval will not be granted in this proceeding.

The KIA loan proceeds were used to finance repairs of the Licking River crossing and construction of the new water main under Kincaid Lake. The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that East Pendleton's KIA loan in the amount of \$230,130 is for a lawful object within East Pendleton's corporate purpose, is necessary, appropriate for and consistent with the proper performance of its service to the public, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. East Pendleton's is authorized to obtain a KIA loan in the amount of \$230,130 at an interest rate of 7 percent per annum.

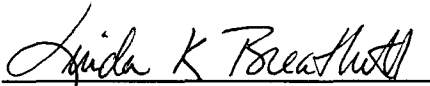
2. East Pendleton shall, within 30 days after issuance of the securities, advise the Commission in writing of the date or dates of issuance of the securities, the price paid, the interest rate, the purchasers, and all fees and expenses, including underwriting discounts or commissions, or other compensation involved in the issuance and distribution.

3. The proceeds from the transactions authorized herein shall be used only for the lawful purposes specified in East Pendleton's application.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 27th day of August, 1997.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director